# Consolidated Financial Statements

## Banco BTG Pactual S.A. and subsidiaries

March 31, 2012

with report on the interim financial information

**BANCO BTG PACTUAL S.A.**

Consolidated financial statements

March 31, 2012

Contents

Report on the interim financial information ..... 1

Consolidated financial statements

Consolidated balance sheets ..... 3
Consolidated statements of income ..... 5
Statements of changes in shareholders' equity – Parent Company ..... 6
Consolidated statements of cash flows ..... 7
Consolidated statements of value added ..... 8
Notes to the consolidated financial statements ..... 9

ERNST & YOUNG TERCO

Edifício PB-370
Praia de Botafogo nº 370 - 8º andar
22250-909 - Rio de Janeiro - RJ - Brasil
Tel: (5521) 3263-7000
Fax: (5521) 3263-7004
www.ey.com.br

**A free translation from Portuguese into English of Independent Auditors' Review Report on interim financial information prepared in accordance with accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank of Brazil and in Reais**

# Independent auditors' review report

The Shareholders and Management of
**Banco BTG Pactual S.A. and subsidiaries**

We have reviewed the consolidated balance sheet of Banco BTG Pactual and its subsidiaries ("Bank") as of March 31, 2012 and the related consolidated statements of income, changes in shareholders' equity and consolidated cash flows for the three-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation and fair presentation of this financial information in accordance with accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank of Brazil. Our responsibility is to express a conclusion on this consolidated financial information based on our review.

## Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2400 - Review of Financial Information and ISRE 2400 – Engagements to Review Financial Statements, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the Bank's consolidated financial position as at March 31, 2012, and its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with the accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank of Brazil.

**Emphasis**

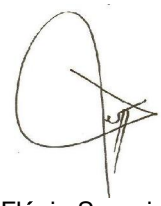
As of March 31, 2012, jointly controlled subsidiary Banco Panamericano S.A. has income and social contribution tax credits amounting to R$ 2,645 million, recognized substantially on the basis of financial projections and business plan reviewed and approved by its Board of Directors, which comprise a study of the current environment and future scenarios of assumptions used in these projections. The realization of these tax credits depends on delivery of these projections and business plan as approved by the management bodies of Banco Panamericano S.A.

**Other matters**

We have also reviewed the consolidated statement of value added (SVA), for the three-month period ended March 31, 2012, the presentation of which is required by Brazilian Corporate Law for publicly-held companies. This statement have been subject to the same review procedures previously described, and based on our review nothing has come to our attention that causes us to believe that the consolidated statement of value added ir not fairly presented, in all material respects, in relation to the overall financial statements.

Rio de Janeiro, May 10, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6-S-RJ



Flávio Serpejante Peppe
Partner

# BANCO BTG PACTUAL S.A. and subsidiaries

## Consolidated balance sheets
## As at March 31, 2012 and December 31, 2011
## (In thousands of reais)

| | NOTE | 03/31/12 | 12/31/11 |
|---|---|---|---|
| Assets | | | |
| Current assets | | 86,819,053 | 72,109,850 |
| Cash at banks | 6 | 116,069 | 517,305 |
| Short-term interbank investments | 7 | 25,158,819 | 19,568,249 |
| Open market investments | | 22,747,699 | 18,624,436 |
| Interbank deposits | | 2,411,120 | 943,813 |
| Securities and derivative financial instruments | 8 | 45,176,265 | 38,630,309 |
| Own portfolio | | 13,068,330 | 14,157,694 |
| Subject to repurchase agreements | | 25,896,117 | 21,055,304 |
| Subject to unrestricted repurchase agreements | | 363,909 | 12,560 |
| Derivative financial instruments | 9 | 3,850,190 | 2,582,253 |
| Subject to guarantees | | 1,997,719 | 822,498 |
| Interbank transactions | | 1,064,962 | 874,879 |
| Unsettled payables and receivables | | 1,075 | - |
| Deposits in the Central Bank of Brazil | | 1,057,033 | 874,053 |
| Correspondent banks | | 6,854 | 826 |
| Loans | 10 | 2,780,791 | 2,972,442 |
| Loans – private sector | | 2,839,123 | 3,014,674 |
| Allowance for loan losses | | (58,332) | (42,232) |
| Other receivables | | 12,505,329 | 9,521,541 |
| Foreign exchange portfolio | 11 | 1,925,381 | 145,565 |
| Income receivable | 12 | 419,915 | 356,677 |
| Securities trading and brokerage | 11 | 6,204,315 | 4,402,981 |
| Sundry | 12 | 4,639,663 | 5,240,085 |
| Allowance for losses on other receivables | 10 | (683,945) | (623,767) |
| Other assets | | 16,818 | 25,125 |
| Other assets | | 18,677 | 18,591 |
| Prepaid expenses | | 7,321 | 6,534 |
| Provision for losses | | (9,180) | - |
| Long-term-assets | | 7,432,052 | 8,496,825 |
| Short-term interbank investments | 7 | 8,235 | 14,787 |
| Open market investments | | 8,235 | 14,787 |
| Securities and derivative financial instruments | | 4,331,698 | 4,263,594 |
| Own portfolio | | 2,562,481 | 2,375,915 |
| Derivative financial instruments | 9 | 452,107 | 475,107 |
| Subject to guarantees | | 1,317,110 | 1,412,572 |
| Interbank transactions | | 1,853 | 1,853 |
| Restricted credits – National Housing System | | 1,853 | 1,853 |
| Loans | 10 | 1,624,847 | 1,692,638 |
| Loans – private sector | | 1,658,466 | 1,732,754 |
| Allowance for loan losses | | (33,619) | (40,116) |
| Other receivables | | 1,465,419 | 2,523,953 |
| Foreign exchange portfolio | 11 | - | 630,610 |
| Income receivable | 12 | 237 | 34,805 |
| Securities trading and brokerage | 11 | 745 | 781 |
| Sundry | 12 | 1,504,590 | 1,897,121 |
| Allowance for losses on other receivables | 10 | (40,153) | (39,364) |
| Permanent assets | | 2,651,255 | 1,405,334 |
| Investments | 13 | 2,421,829 | 1,131,018 |
| Investments in associates and jointly controlled entities | | 2,415,819 | 1,125,292 |
| Other investments | | 8,997 | 8,713 |
| Allowance for losses | | (2,987) | (2,987) |
| Property and equipment in use | | 77,106 | 58,403 |
| Other property and equipment in use | | 122,311 | 100,539 |
| Accumulated depreciation | | (45,205) | (42,136) |
| Deferred charges | | 11,606 | 12,371 |
| Amortization and expansion costs | | 28,800 | 28,801 |
| Accumulated amortization | | (17,194) | (16,430) |
| Intangible assets | | 140,714 | 203,542 |
| Other intangible assets | | 158,354 | 208,940 |
| Accumulated amortization | | (17,640) | (5,398) |
| Total assets | | 96,902,360 | 82,012,009 |

The accompanying notes are an integral part of the financial statements.

## BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets
As at March 31, 2012 and December 31, 2011
(In thousands of reais)

| | NOTE | 03/31/12 | 12/31/11 |
|---|---|---|---|
| Liabilities | | | |
| Current liabilities | | 79,151,323 | 64,936,753 |
| Deposits | 14 | 12,298,625 | 11,512,454 |
| Demand deposits | | 1,593,531 | 1,574,208 |
| Interbank deposits | | 922,390 | 572,761 |
| Time deposits | | 9,782,704 | 9,365,485 |
| Open market funding | 14 | 47,255,400 | 39,060,989 |
| Own portfolio | | 25,360,325 | 22,838,450 |
| Third-party portfolio | | 19,355,197 | 13,692,426 |
| Free trading portfolio | | 2,539,878 | 2,530,113 |
| Funds from securities issued and accepted | 14 | 1,659,208 | 1,703,462 |
| Real estate notes | | 1,444,578 | 1,518,581 |
| Liabilities for foreign securities | | 214,630 | 184,881 |
| Interbank transactions | | 7,403 | 30 |
| Unsettled receipts and payments | | 7,403 | 30 |
| Loans and onlending | 14 | 1,441,442 | 916,591 |
| Loans abroad | | 1,417,113 | 875,094 |
| Onlending in Brazil – official institutions | | | |
| FINAME | | 24,329 | 41,497 |
| Derivative financial instruments | 9 | 3,865,320 | 2,523,524 |
| Derivative financial instruments | | 3,865,320 | 2,523,524 |
| Other liabilities | | 12,623,925 | 9,219,703 |
| Collection and payments of tax and similar charges | | 2,647 | 2,666 |
| Foreign exchange portfolio | 11 | 1,281,314 | 224,381 |
| Social and statutory | 15 | 392,899 | 552,761 |
| Tax and social security | 15 | 695,568 | 238,783 |
| Securities trading and brokerage | 11 | 9,916,599 | 7,921,906 |
| Sundry | 15 | 334,898 | 279,206 |
| Long-term liabilities | | 10,868,497 | 10,491,697 |
| Deposits | 14 | 2,833,561 | 2,698,606 |
| Interbank deposits | | 16,132 | 3,644 |
| Time deposits | | 2,817,429 | 2,694,962 |
| Open market funding | 14 | 48 | - |
| Unrestricted portfolio | | 48 | - |
| Funds from securities issued and accepted | 14 | 2,643,673 | 2,071,169 |
| Real estate notes | | 1,730,109 | 1,106,410 |
| Liabilities for foreign securities | | 913,564 | 964,759 |
| Loans and onlending | 14 | 9,258 | 3,125 |
| Onlending in Brazil – official institutions | | | |
| FINAME | | 9,258 | 3,125 |
| Derivative financial instruments | 9 | 445,965 | 430,265 |
| Derivative financial instruments | | 445,965 | 430,265 |
| Other liabilities | | 4,935,992 | 5,288,532 |
| Social and statutory | 15 | 30,313 | 445 |
| Tax and social security | 15 | 76,447 | 521,157 |
| Securities trading and brokerage | 11 | - | 8,128 |
| Subordinated debt | 14 | 4,230,910 | 4,158,295 |
| Sundry | 15 | 598,322 | 600,507 |
| Deferred income | | 28,589 | 31,590 |
| Non-controlling interest | | 90,711 | 212,207 |
| Shareholders' equity | 18 | 6,763,240 | 6,339,762 |
| Capital stock | | | |
| Domiciled in Brazil | | 2,132,664 | 2,132,664 |
| Domiciled abroad | | 838,686 | 838,686 |
| Capital increase | | 271,150 | 271,150 |
| Revenue reserves | | 3,097,263 | 3,097,262 |
| Income for the period | | 423,477 | - |
| Total liabilities and shareholders' equity | | 96,902,360 | 82,012,009 |

The accompanying notes are an integral part of the financial statements.

## BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income
Quarters ended March 31
(In thousands of reais, except for earnings per share)

| | NOTE | 03/31/12 | 03/31/11 |
|---|---|---|---|
| Financial income | | 2,374,218 | 1,537,717 |
| Loans | | 257,345 | 135,069 |
| Securities | | 1,662,158 | 1,233,106 |
| Derivative financial instruments | | 388,342 | 149,148 |
| Foreign Exchange | | 43,592 | 20,394 |
| Mandatory investments | | 22,781 | - |
| Financial expenses | | (1,458,559) | (1,147,818) |
| Funding operations | | (1,263,601) | (1,086,500) |
| Borrowing and onlending | | (118,996) | (51,759) |
| Allowance for loan losses and other receivables | | (75,962) | (9,559) |
| Gross financial income | | 915,659 | 389,899 |
| Other operating income (expenses) | | 136,294 | 80,504 |
| Income from services rendered | 19 | 346,012 | 223,030 |
| Personnel expenses | | (94,960) | (62,831) |
| Other administrative expenses | 22 | (103,544) | (64,528) |
| Tax charges | | (83,203) | (59,796) |
| Equity in the earnings of subsidiaries | 13 | 20,649 | - |
| Other operating income | 20 | 112,405 | 53,180 |
| Other operating expenses | 21 | (61,065) | (8,551) |
| Operating income | | 1,051,953 | 470,403 |
| Non-operating income (expenses) | | (18) | 1,156 |
| Income before taxation and profit sharing | | 1,051,935 | 471,559 |
| Income tax and social contribution | 17 | (308,290) | (154,697) |
| Provision for income tax | | (111,383) | (62,547) |
| Provision for social contribution | | (67,682) | (34,921) |
| Deferred tax assets | | (129,225) | (57,229) |
| Statutory profit sharing | | (319,412) | (108,573) |
| Non-controlling interest | | (754) | - |
| Net income for the quarter | | 423,479 | 208,289 |

The accompanying notes are an integral part of the financial statements.

## BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – Parent Company
Quarters ended March 31
(In thousands of reais, except for dividends per share)

| | NOTE | Capital | Capital increase | Profit reserves | | | Total | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Legal | Unrealized | Statutory | | | |
| **Balances at December 31, 2010** | | **2,971,350** | **-** | **150,775** | **470,339** | **2,010,129** | **2,631,243** | **-** | **5,602,593** |
| Dividends distributed (R$0.09 per share) | 18 | - | - | - | - | (210,000) | (210,000) | - | (210,000) |
| Net income for the quarter | | - | - | - | - | - | - | 208,289 | 208,289 |
| **Balances at March 31, 2011** | | **2,971,350** | **-** | **150,775** | **470,339** | **1,800,129** | **2,421,243** | **208,289** | **5,600,882** |
| **Balances at December 31, 2011** | | **2,971,350** | **271,150** | **224,836** | **413,847** | **2,462,782** | **3,101,465** | **-** | **6,343,965** |
| Net income for the quarter | | - | - | - | - | - | - | 400,832 | 400,832 |
| **Balances as at March 31, 2012** | | **2,971,350** | **271,150** | **224,836** | **413,847** | **2,462,782** | **3,101,465** | **400,832** | **6,744,797** |

The accompanying notes are an integral part of the financial statements.

## BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows
Quarters ended March 31
(In thousands of reais)

| | NOTE | 03/31/12 | 03/31/11 |
|---|---|---|---|
| Operating activities | | | |
| Net income for the quarter | | 423,479 | 208,289 |
| Adjusted net income | | (10,639) | 3,570 |
| Equity in the earnings (losses) subsidiaries | 13 | (20,649) | - |
| Goodwill amortization | | 4,634 | - |
| Depreciation and amortization | | 5,376 | 3,570 |
| Adjusted net income for the quarter | | 412,840 | 211,859 |
| (Increase)/decrease in short-term interbank investments | | (59,210) | (5,744,940) |
| (Increase)/decrease in securities and derivative financial instruments | | (5,775,654) | 8,242,596 |
| (Increase)/decrease in loans | | 259,442 | (1,086,702) |
| (Increase)/decrease in other receivables and other assets | | (2,742,788) | (4,824,611) |
| (Increase)/decrease in interbank transactions | | (182,710) | 27,246 |
| (Decrease)/increase in other liabilities | | 3,051,793 | 2,042,359 |
| (Decrease)/increase in deferred income | | (3,001) | 9,730 |
| Increase/(decrease) in deposits | | 921,126 | 63,648 |
| Increase/(decrease) in open market funding | | 8,194,411 | (4,932,055) |
| Increase/(decrease) in loans and onlending | | 530,984 | 765,886 |
| Cash provided by/(used in) operating activities | | 4,607,233 | (5,224,984) |
| Investing activities | | | |
| Sale of property and equipment in use | | 20 | 10,604 |
| Acquisition of equity interests | | - | (1,379) |
| Dividends received | | 10,500 | - |
| Acquisition of property and equipment in use | | (20,509) | - |
| Acquisition of deferred assets | | - | - |
| Acquisition of intangible assets | | (1,639) | (17,526) |
| Cash provided by/(used in) investing activities | | (11,628) | (8,301) |
| Financing activities | | | |
| Increase /(decrease) in funds from securities issued and accepted | | 528,250 | 160,977 |
| Non-controlling interest | | (283) | - |
| Dividends distributed | | - | (210,000) |
| Cash provided by/(used in) financing activities | 18 | 527,967 | (49,023) |
| Increase/(decrease) in cash and cash equivalents | 23 | 5,123,572 | (5,282,308) |
| Balance of cash and cash equivalents | | | |
| At the beginning of the quarter | | 12,487,417 | 18,925,370 |
| At the end of the quarter | | 17,610,989 | 13,643,062 |
| Increase/(decrease) in cash and cash equivalents | | 5,123,572 | (5,282,308) |
| **Noncash transactions** | | 1,946,208 | - |
| Capital contribution - Banco Panamericano S.A. | 13 | 495,477 | - |
| Incorporation - Saíra Empreendimentos Imobiliários S.A. for BR Properties S.A. | | 1,750,731 | - |

The accompanying notes are an integral part of the financial statements.

## BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added
Quarters ended March 31
(In thousands of reais)

| | NOTE | 03/31/12 | 03/31/11 |
|---|---|---|---|
| Income | | 2,771,552 | 1,806,532 |
| Financial brokerage | | 2,374,218 | 1,537,717 |
| Services rendered | | 346,012 | 223,030 |
| Other | | 51,322 | 45,785 |
| Expenses | | (1,458,559) | (1,147,818) |
| Financial brokerage | | (1,458,559) | (1,147,818) |
| Inputs acquired from third parties | | (90,157) | (56,415) |
| Materials, energy and other | | (19,549) | (1,505) |
| Outsourced services | | (70,608) | (54,910) |
| Gross value added | | 1,222,836 | 602,299 |
| Depreciation and amortization | | (5,376) | (3,570) |
| Net value added produced by the entity | | 1,217,460 | 598,729 |
| Value added received through transfer | | 20,649 | - |
| Equity in the earnings of associated companies | 13 | 20,649 | - |
| Value added to be distributed | | 1,238,109 | 598,729 |
| Distribution of value added | | (1,238,109) | (598,729) |
| Personnel | | (414,372) | (171,404) |
| Direct compensation | | (398,160) | (163,672) |
| Benefits | | (13,301) | (4,596) |
| FGTS – government severance pay fund | | (2,911) | (3,136) |
| Taxes, fees and contributions | | (391,493) | (214,493) |
| Federal | | (383,714) | (205,959) |
| Municipal | | (7,779) | (8,534) |
| Remuneration of third party capital | | (9,519) | (4,543) |
| Rent | | (9,519) | (4,543) |
| Remuneration of shareholders | | (422,725) | (208,289) |
| Retained earnings | | (423,479) | (208,289) |
| Non-controlling interest | | 754 | - |

The accompanying notes are an integral part of the financial statements.

## 1. Operations

Banco BTG Pactual S.A. (Bank) is incorporated as a multiple bank, operating jointly with its subsidiaries (the Group), offering financial products and services relating to commercial, including exchange, and investment portfolios, credit, financing and investment, leasing and real estate loans.

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

On November 10, 2011, the Brazilian Securities and Exchange Commission (CVM) granted the Bank a registration as a publicly company in category A.

## 2. Corporate reorganization

### Corporate reorganization

On March 29, 2012, Saíra Diamante Empreendimentos Imobiliários S.A. ("Saíra"), Wtorre Empreendimentos Imobiliários S.A. ("Wtorre") and BR Properties S.A. ("BR Properties") approved the transaction involving successive mergers of Saíra and its investee, a subsidiary jointly-owned by Wtorre (One Properties), by BR Properties. With the conclusion of the transaction, the Bank holds 28.3% of the shares of BR Properties, which will be measured by the equity method of accounting.

### Acquisitions

On December 5, 2011, BTG (GAM) UK Limited, an indirect wholly-owned subsidiary of the Bank, entered into a definitive agreement to acquire all shares of Bankred, a Swiss financial institution headquartered in Lugano, Switzerland, for CH$ 30 million (R$ 60 MM). The transaction is subject to approval by the competent authorities, as well as the termination of all transactions between Bankred and its current customers.

On January 31, 2012, the Bank and Banco Panamericano entered into a definitive agreement to purchase 100% of the shares of Brazilian Finance & Real Estate S.A. (BFRE), for approximately R$1.2 billion, of which R$940 million will be paid by Banco Panamericano and R$270 million will be paid by the Bank. Additionally, after the definitive agreement, and before the settlement, BFRE will be split into two companies, and the Bank will acquire one of these companies for approximately R$335 million, which will be used for purchase of certain real estate investment funds held by BFRE. This transaction is subject to approval of the competent authorities.

On February 8, 2012, the Bank announced the conclusion of the agreement for the acquisition of 100% of the outstanding shares of Celfin Capital (Celfin), a leading company in financial transactions, operating in Chile, Peru and Colombia. In connection with this transaction, the Bank will pay to the owners of Celfin US$486 million in cash, of which US$196 million will be used to

purchase the shareholding interest of the Bank, representing 2.423% of the capital. The transaction is pending approval from the competent authorities.

## 3. Presentation of the financial statements

The Bank's and its subsidiaries' financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), in accordance with the standards and instructions of the National Monetary Council (CMN), BACEN and CVM, when applicable.

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE).

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires Management to use its judgment to determine and register accounting estimates. Assets and liabilities subject to these estimates and assumptions substantially refer to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with suspended eligibility and the provision for contingent liabilities. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inaccuracies inherent in determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

## a. Consolidated financial statements

The consolidated financial statements were prepared in accordance with the consolidation criteria issued by the Central Bank of Brazil (BACEN), eliminating the interest, intercompany balances of assets and liabilities, revenues, expenses and unrealized profit, and includies the portions of net income (loss) and shareholders' equity relating to non-controlling interest.

Goodwill calculated on the acquisition of investment in subsidiaries and jointly-owned subsidiaries is recognized in investments and intangible assets, whereas negative goodwill is recognized in deferred assets.

Jointly-controlled investments are recognized by the equity method of accounting.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
March 31, 2012
In thousands of reais

The subsidiaries and jointly controlled subsidiaries, consolidated on the Bank's financial statements, are as follows:

| | Country | Equity interest - % | |
|---|---|---|---|
| | | 03/31/12 | 12/31/11 |
| **Direct subsidiaries** | | | |
| BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários | Brazil | 99.99% | 99.99% |
| BTG Pactual Corretora de Títulos e Valores Mobiliários S.A. | Brazil | 99.99% | 99.99% |
| BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários | Brazil | 99.99% | 99.99% |
| BTG Pactual Corretora de Mercadorias Ltda. | Brazil | 99.99% | 99.99% |
| BTG Pactual Securitizadora S.A. | Brazil | 99.99% | 99.99% |
| BTG Pactual Corporate Services Ltda | Brazil | 0.01% | 0.01% |
| BTG Pactual Empresa Operadora do Mercado Energético Ltda. Coomex | Brazil | 99.99% | 99.99% |
| BTG Pactual Holding International S.A. | Brazil | 99.99% | 99.99% |
| BTGP Recovery Holdings S.A. | Brazil | 99.99% | 99.99% |
| BTG Pactual Overseas Corporation | Cayman | 100.00% | 100.00% |
| BTG Pactual Vivere Participações S.A. | Brazil | 100.00% | 100.00% |
| BW Properties S.A. | Brazil | 67.49% | 67.49% |
| Saíra Diamante Empreendimentos Imobiliários S.A. | Brazil | 0.00% | 92.00% |
| BR Properties S.A. | Brazil | 28.30% | 0.00% |
| Global Ltd | Cayman | 100.00% | 100.00% |
| **Indirect subsidiaries** | | | |
| BTG Pactual Gestora de Investimentos Alternativos Ltda. | Brazil | 99.98% | 99.98% |
| BTG Pactual WM Gestão de Recursos Ltda. | Brazil | 99.99% | 99.99% |
| BTG Pactual Gestora de Recursos Ltda. | Brazil | 99.99% | 99.99% |
| BTG Pactual Corporate Services Ltda. | Brazil | 99.99% | 99.99% |
| BTG Pactual Serviços Energéticos Ltda.- Coomex | Brazil | 100.00% | 100.00% |
| BTG Pactual Global Asset Management Limited | Bermuda | 100.00% | 100.00% |
| BTG Pactual Europe LLP | England | 100.00% | 100.00% |
| BTG Pactual Asset Management US, LLC | USA | 100.00% | 100.00% |
| BTG Pactual US Capital, LLC | USA | 100.00% | 100.00% |
| BTG Pactual Asia Limited | Hong Kong | 100.00% | 100.00% |
| BTG Global Asset Management (UK) Limited | England | 100.00% | 100.00% |
| Recovery do Brasil Consultoria S.A. | Brazil | 50.24% | 50.24% |
| FC DAS S.A. | Uruguay | 100.00% | 100.00% |
| **Investment funds** | | | |
| BTG Pactual Absolute Return II Master Fund LP | Cayman | 100.00% | 100.00% |
| Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior | Brazil | 100.00% | 100.00% |
| BTG Pactual International Port Fund SPC - CLASS C | Cayman | 99.83% | 99.83% |
| Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios Selecionados I | Brazil | 100.00% | 100.00% |
| Fundo de Investimento em Direitos Creditórios Não Padronizados NPL I | Brazil | 100.00% | 100.00% |
| BTG Pactual Vanguarda Fundo de Investimento em Participações | Brazil | 92.73% | 92.73% |
| BTG Pactual Saúde Fundo de Investimento em Participações | Brazil | 100.00% | 100.00% |
| Nala Fundo de Investimento em Participações | Brazil | 100.00% | 100.00% |
| BTG Pactual Global Fund | Cayman | 100.00% | 100.00% |
| Fundo de Investimento em direitos Creditórios Multisegmentos | Brazil | 100.00% | 100.00% |

**b. Functional currency**

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The financial statements are presented in reais (R$), which is the Bank's functional currency. Assets and liabilities were translated into reais at the rate prevailing at the reporting date, while income and expense accounts were translated at the average rate of the period.

The financial statements of the companies abroad, originally stated in their functional currencies were translated into reais at the US dollar foreign exchange rate on the reporting dates.

The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature.

## 4. Significant accounting practices

The most significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are the following:

a) Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

b) Short-term interbank investments, remunerated BACEN deposits, remunerated deposits, open market funding, funds from securities issued and accepted, loans and onlending, subordinated debts and other asset and liability transactions

The transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs, calculated on a *pro rata die* basis, based on the effective rate of the transactions.

c) Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068/01 of November 8, 2001, under the following categories:

**(i) Trading securities**

Acquired with the purpose of being actively and frequently traded. Trading securities are recognized at cost plus income earned, and adjusted to fair value and for the period.

**(ii) Available-for-sale securities**

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, plus income earned, with a corresponding entry to income (loss), and subsequently adjusted to fair value, with a corresponding entry to a separate account under shareholders' equity, net of tax effects, which will only be recognized in income (loss) after the effective realization.

**(iii) Held-to-maturity securities**

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to income (loss) for the period.

Decreases in the fair value of available-for-sale and held-to-maturity securities below their respective restated costs, related to non-temporary reasons, will be recognized in income (loss) as realized losses.

According to BACEN Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

d) Derivative financial instruments

These are classified according to Management's intention, on the transaction date, considering whether such transactions will be conducted to hedge against risk or not.

The transactions using financial instruments performed on their own, or that does not comply with hedge criteria (mainly derivatives used to manage the global risk exposure), are accounted for at fair value, with gains and losses, realized or not realized, recognized directly in income (loss) for the period.

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as hedge and are classified according to their nature:

(i) Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in income (loss) for the period; and

(ii) Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recognized in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recognized in income (loss) for the period.

e) Fair value of securities, derivative financial instruments and other rights and obligations

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, is calculated based on market price, price evaluation models, or even based on the price determined for other financial instruments with similar characteristics. Therefore, at the

time of financial settlement of these transactions, results may differ from the estimates. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, deducted from the difference between this amount and the price of the good or right adjusted at market prices, at the adequate assets or liabilities account. The income and expenses are recorded according to the duration of their agreements.

Assets and liabilities resulting from swap and currency forward transactions of non-delivery forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, adjusted at fair value, with a corresponding entry to income (loss), with no offset between amounts payable and receivables.

The notional amount of the agreements is recognized in off-balance accounts.

f) Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

g) Loans and other receivables (operations with loan characteristics)

Recorded at present value, calculated on a *pro rata die* basis on the index variation and on the agreed interest rate, updated up to 59$^{th}$ day of default for financial companies, provided the expected receipt. As from the 60$^{th}$ day, the recognition in income (loss) occurs at the time of effective receipt of installments. Renegotiated transactions are maintained at least in the same level in which they were recorded before the renegotiation and, if they had already been written off, they are classified as level H and gains are recorded in income when actually received.

h) Allowance for loan losses

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover possible losses, pursuant to CMN Resolution 2682, of December 21, 1999, among which:

Allowances are recognized from loans, based on the classification of the client's risk, due to the periodical analysis of client quality and of activity industries and not only upon default.

Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with term exceeding 36 months.

The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

i) Investments

Subsidiaries and associated companies are accounted for under the equity method of accounting. Equity instruments are recognized at cost and adjusted at the amounts informed by the respective institutions and accounted for in capital reserve, in shareholders' equity. Other investments in permanent assets are stated at cost, less allowance for losses, when applicable.

j) Goodwill or negative goodwill

Goodwill or negative goodwill is calculated based on the difference between the acquisition amount paid and the net carrying amount.

Goodwill, based on the forecast of future results of the subsidiaries, is amortized in line with the forecast deadlines that justified it or, when the investment is written off, by disposal or loss, before the forecasts are achieved.

Negative goodwill is recognized in investments, where it remains until the investment is realized.

k) Property and equipment in use and deferred charges

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Deferred charges correspond mainly to leasehold improvements. Amortization is calculated using the straight-line method over the estimated period of usage and/or lease.

l) Intangible assets

Corresponds to acquired rights that have as their subject intangible assets destined to the entities' maintenance or exercised with such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

m) Impairment

Recognized as loss, in the results for the period, if clear evidence indicates that assets are valued at an unrecoverable amount. This procedure is performed at least at the end of each fiscal year.

n) Income tax and social contribution

The provisions for income tax and social contribution are recognized based on book income adjusted by additions and deductions provided by the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R$ 240, and 15% for social contribution.

o) Contingent assets and liabilities, and legal, tax and social security obligations

Recognized according to the criteria described below:

(i) Contingent assets
Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

(ii) Contingent liabilities
Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in an legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions or disclosure.

(iii) Legal liabilities – tax and social security
Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and accounted for.

p) Revenue recognition

Revenues and expenses are determined on the accrual basis.

## 5. Risk management

The Bank's commission structure allows for the participation of the entire organization and guarantees that the decisions are implemented easily and effectively. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, defines overall limits and is ultimately responsible for managing risks, (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new loans according to the guidelines set forth by the Bank's Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Committee, which assesses the main operational risks for the internal policies and regulatory risks established, (vi) ALM Compliance Committee, which is responsible for establishing ALM rules and reporting potential problems related to money laundering, (vii) CFO Committee, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure, (viii) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

The Bank monitors and controls risk exposure through several and different, supplemental internal systens, including credit, financial, operational, compliance, tax and legal systems. We believe that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The

Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas.

a) Operating limits

According to the recommendations of the New Capital Accord (Basel II), BACEN disclosed the methodology to calculate the Reference Shareholders' Equity (PR) and the Required Reference Shareholders' Equity (PRE), as of July 1, 2008, through CMN Resolutions 3444/07 and 3490/07. In addition, BACEN Circular Letters 3360/07, 3361/07 to 3366/07, 3368/07, 3383/08, 3388/08 and 3389/08 established the guidelines to determine credit, market and operating risks.

The Basel ratio was calculated based on the financial statements, on a consolidated basis, including all the subsidiaries.

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Reference Shareholders' Equity (PR) | 9,196,673 | 8,430,976 |
| Shareholders' equity – Tier 1 | 6,732,374 | 6,331,062 |
| Shareholders' equity – Tier 2 | 3,366,187 | 3,165,531 |
| Deductions from the Reference Shareholders' Equity | (901,888) | (1,065,617) |
| Required Reference Shareholders' Equity (PRE) | 6,252,232 | 5,250,915 |
| Credit risk | 3,527,864 | 3,416,049 |
| Market risk | 2,419,819 | 1,553,458 |
| Operating risk | 304,549 | 281,408 |
| Exceeding Required Reference Equity: (PR-PRE) | 2,944,441 | 3,180,061 |
| Capital adequacy ratio (based index): (PRx100)/PRE/0.11) | 16.18% | 17.66% |

Management elected the basic indicator approach to measure the operating risk.

The fixed assets to equity capital ratio, as determined by CMN Resolution 2283/96, amended by Resolution 2669/99 and with the wording of Resolutions 2743/00 and 3426/06, are also calculated on a consolidated basis considering all subsidiaries:

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Reference Shareholders' Equity (PR) | 9,196,672 | 8,430,976 |
| Equity securities | (6) | (6) |
| Reference Shareholders' Equity for fixed assets to equity capital ratio (PR_LI) | 9,196,666 | 8,430,970 |
| Fixed assets to equity capital ratio (50%) | 4,598,333 | 4,215,485 |
| Status for fixed assets to equity capital ratio | 4,554,723 | 3,034,871 |
| Permanent assets | 2,632,781 | 1,409,501 |
| Deferred permanent assets | (8,215) | (8,772) |
| Equity securities | (6) | (6) |
| Intangible assets excluded from the calculation of fixed assets to equity capital ratio | - | - |
| Investment in subsidiaries authorized to operate under BACEN | (901,259) | (427,132) |
| Variable income securities recognized in current assets | 2,831,422 | 2,061,280 |
| Margin | 43,610 | 1,180,614 |

As at March 31, 2012 and December 31, 2011, all operating limits are duly complied with.

b) Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, preserving real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one-day period, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 changes that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses a stress test models as a complement to VaR method for its daily risk activities.

The table below contains the Group's and its subsidiaries' daily average VaR for the periods, as follows:

| In millions of R$ | March 2012 | December 2011 | March 2011 |
|---|---|---|---|
| Daily average VaR | 57.6 | 43.2 | 29.5 |

c) Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to careful credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly revised. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

d) Liquidity risk

The bank and its subsidiaries manage the liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at extremely competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a low level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

e) Operating risk

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a strong culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and antecipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

## 6. Cash at banks

Cash at banks refer basically to deposits abroad in prime banks.

## 7. Short-term interbank investments

| | 03/31/12 | | | | | 12/31/11 |
|---|---|---|---|---|---|---|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | Over 3 years | Total |
| Open market investments | 22,747,699 | 17,338,887 | 5,408,812 | - | - | 18,624,436 |
| Own portfolio | 3,649,551 | 3,299,817 | 349,734 | - | - | 4,121,337 |
| Federal government bonds | 1,871,531 | 1,521,797 | 349,734 | - | - | 1,572,128 |
| Foreign bonds | 28,598 | 28,598 | - | - | - | - |
| Corporate bonds | 149,547 | 149,547 | - | - | - | 290,066 |
| Foreign bonds | 1,599,875 | 1,599,875 | - | - | - | 2,259,143 |
| Third-party portfolio | 18,167,379 | 13,908,459 | 4,258,920 | - | - | 13,153,965 |
| Federal government bonds | 18,089,241 | 13,830,321 | 4,258,920 | - | - | 11,026,064 |
| Foreign bonds | 46,324 | 46,324 | - | - | - | 2,127,901 |
| Corporate bonds | 27,120 | 27,120 | - | - | - | - |
| Foreign bonds | 4,694 | 4,694 | - | - | - | - |
| Short position | 930,769 | 130,611 | 800,158 | | - | 1,349,134 |
| Federal government bonds | 862,011 | 61,853 | 800,158 | - | - | 1,056,754 |
| Foreign bonds | 68,758 | 68,758 | - | - | - | 292,380 |
| Interbank investments | 2,419,355 | 1,849,837 | 561,283 | 8,235 | - | 958,600 |
| Interbank deposit certificates (*) | 1,684,338 | 1,114,820 | 561,283 | 8,235 | - | 916,457 |
| Investments in foreign currency - overnight | 735,017 | 735,017 | 0 | 0 | 0 | 42,143 |
| | 25,167,054 | 19,188,724 | 5,970,095 | | 0 | 19,583,036 |

(*) Refers basically to interbank deposits in prime banks.

As at March 31, 2012 and December 31, 2011, the balances above are reported net of liabilities and corresponded to R$ 12,888,174 and R$ 27,926,486, according to note 4(f).

The collateral received in repurchase agreements amounts to R$ 29,435,015 (December 31, 2011 - R$ 26,884,577), whereas the collateral granted amounts to R$ 42,762,827 (December 31, 2011 - R$ 52,525,794).

## 8. Securities

a) By type of portfolio

The breakdown by type of instrument, maturity and type of portfolio is as follows:

| | 03/31/12 | | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|---|
| | Cost | Market | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Market |
| Own portfolio | | | | | | | | |
| Federal government bonds | 440,839 | 423,660 | 31,551 | 28,115 | 39,010 | 79,663 | 245,321 | 2,922,738 |
| Brazilian foreign debt securities | 6,126 | 6,092 | - | - | 2,491 | 310 | 3,291 | - |
| Debentures/Eurobonds | 4,030,173 | 4,036,378 | 141,202 | 440,111 | 977,675 | 1,360,333 | 1,117,057 | 4,293,557 |
| Bank certificates of deposit | 53,405 | 53,406 | - | 3,146 | 50,260 | - | - | 100,425 |
| Bank credit certificate | 68,968 | 72,572 | 645 | 23,399 | 37,393 | 11,135 | - | - |
| Investment fund | | | | | | | | |
| Multimarket | 1,303,595 | 1,314,970 | 1,314,970 | - | - | - | - | 943,038 |
| Credit rights investment fund | 447,632 | 446,202 | - | - | - | 446,202 | - | 118,511 |
| Equity investment fund | 339,715 | 339,715 | - | - | - | 339,715 | - | 449,263 |
| Real estate | 253,920 | 253,920 | - | - | - | 253,920 | - | 838,674 |
| Shares | 83,148 | 83,148 | 83,148 | - | - | - | - | 1,850 |
| Shares | 3,625,222 | 3,520,436 | 3,520,436 | - | - | - | - | 3,584,455 |
| Promissory notes | 982,156 | 982,383 | 771,851 | 210,532 | - | - | - | 956,853 |
| Certificate of real estate receivables | 628,756 | 628,755 | - | 107,116 | 86,106 | 30,155 | 405,378 | 748,165 |
| Foreign government bonds | | | | | | | | |
| United States | 582,271 | 582,534 | - | 69,356 | 349,143 | 28,935 | 135,100 | 421,831 |
| France | 88,190 | 88,668 | - | - | - | 88,668 | - | - |
| United Kingdom | 52,681 | 53,522 | - | - | - | 7,537 | 45,985 | - |
| Other | 188,009 | 184,918 | 9,592 | 35,929 | 8,332 | 37,797 | 93,268 | 55,648 |
| Foreign corporate bonds | 1,812,449 | 1,810,098 | 40,777 | 662,199 | 476,862 | 239,079 | 391,181 | 809,162 |
| US Agencies | 695,318 | 694,584 | - | - | - | 549,149 | 145,435 | 100,630 |
| Other | 70,339 | 54,850 | - | - | 22,650 | - | 32,200 | 188,809 |
| | 15,752,912 | 15,630,811 | 5,914,172 | 1,579,903 | 2,049,922 | 3,472,598 | 2,614,216 | 16,533,609 |
| Unrestricted portfolio | | | | | | | | |
| Federal government bonds | 362,372 | 363,909 | - | - | 363,909 | - | - | 12,560 |
| | 362,372 | 363,909 | - | - | 363,909 | - | - | 12,560 |
| Subject to repurchase agreements | | | | | | | | |
| Federal government bonds | 9,478,931 | 9,373,717 | - | 902,082 | 2,979,165 | 1,770,209 | 3,722,261 | 5,876,773 |
| Brazilian foreign debt securities | 23,550 | 23,440 | - | - | 10,924 | - | 12,516 | - |
| Foreign government bonds | | | | | | | | |
| United States | 5,346,814 | 5,316,383 | - | 294,915 | 2,766,279 | 842,179 | 1,413,010 | 3,795,158 |
| United Kingdom | 894,352 | 902,606 | - | - | 89,512 | 33,464 | 779,630 | 1,181,677 |
| Germany | 318,400 | 325,453 | - | - | - | 135,256 | 190,197 | 275,426 |
| France | 258,206 | 265,477 | - | - | - | 132,965 | 132,512 | - |
| Italy | 83,963 | 89,417 | - | - | - | 44,083 | 45,334 | - |
| Spain | 27,219 | 28,732 | - | - | - | - | 28,732 | - |
| Other | 147,907 | 145,903 | - | - | - | 26,343 | 119,560 | 218,324 |
| US Agencies | 7,323,036 | 7,318,708 | - | - | 5,668,321 | 829,591 | 820,796 | 8,078,497 |
| Debentures / Eurobonds | 1,077,592 | 1,078,031 | - | 59,271 | 366,523 | 395,636 | 256,601 | 888,799 |
| Foreign private securities | 1,068,476 | 1,028,250 | - | - | 73,729 | 101,647 | 852,874 | 740,650 |
| | 26,048,446 | 25,896,117 | - | 1,256,268 | 11,954,453 | 4,311,373 | 8,374,023 | 21,055,304 |
| Subject to guarantees | | | | | | | | |
| Federal government bonds | 3,347,109 | 3,279,769 | 6,421 | 122,839 | 755,778 | 743,628 | 1,651,103 | 2,148,776 |
| Shares | 31,104 | 35,060 | 35,060 | - | - | - | - | 86,294 |
| | 3,378,213 | 3,314,829 | 41,481 | 122,839 | 755,778 | 743,628 | 1,651,103 | 2,235,070 |
| Trading securities | 41,662,351 | 41,326,075 | 5,955,653 | 2,959,010 | 15,124,062 | 7,875,691 | 9,411,659 | 36,048,056 |
| Held-to-maturity securities | 3,879,592 | 3,879,591 | - | - | - | 651,908 | 3,227,683 | 3,788,487 |
| | 45,541,943 | 45,205,666 | 5,955,653 | 2,959,010 | 15,124,062 | 8,527,599 | 12,639,342 | 39,836,543 |

b) Trading securities

| | 03/31/12 | | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|---|
| | Cost | Market | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over de 5 years | Market |
| Own portfolio | | | | | | | | |
| Federal government bonds | 324,153 | 306,975 | 31,551 | 28,115 | 39,010 | 55,496 | 152,803 | 546,823 |
| Brazilian foreign debt securities | 6,126 | 6,092 | - | - | 2,491 | 310 | 3,291 | - |
| Debentures/Eurobonds | 4,030,173 | 4,036,378 | 141,202 | 440,111 | 977,675 | 1,360,333 | 1,117,057 | 4,293,557 |
| Bank certificate of deposit | 53,405 | 53,406 | - | 3,146 | 50,260 | - | - | 100,425 |
| Bank credit certificate | 68,968 | 72,572 | 645 | 23,399 | 37,393 | 11,135 | - | - |
| Investment fund | | | | | | | | |
| Multimarket | 1,303,595 | 1,314,970 | 1,314,970 | - | - | - | - | 943,038 |
| Credit rights investment fund | 447,632 | 446,202 | - | - | - | 446,202 | - | 118,511 |
| Equity investment fund | 339,715 | 339,715 | - | - | - | 339,715 | - | 449,263 |
| Real estate | 253,920 | 253,920 | - | - | - | 253,920 | - | 838,674 |
| Shares | 83,148 | 83,148 | 83,148 | - | - | - | - | 1,850 |
| Shares | 3,625,222 | 3,520,436 | 3,520,436 | - | - | - | - | 3,584,455 |
| Promissory notes | 982,156 | 982,383 | 771,851 | 210,532 | - | - | - | 956,853 |
| Certificate of real estate receivables | 628,756 | 628,755 | - | 107,116 | 86,106 | 30,155 | 405,378 | 748,165 |
| Foreign government bonds | | | | | | | | |
| United States | 582,271 | 582,534 | - | 69,356 | 349,143 | 28,935 | 135,100 | 421,831 |
| France | 88,190 | 88,668 | - | - | - | 88,668 | - | - |
| United Kingdom | 52,681 | 53,522 | - | - | - | 7,537 | 45,985 | - |
| Other | 188,009 | 184,918 | 9,592 | 35,929 | 8,332 | 37,797 | 93,268 | 55,648 |
| Corporate bonds issued abroad | 1,812,449 | 1,810,098 | 40,777 | 662,199 | 476,862 | 239,079 | 391,181 | 809,162 |
| US Agencies | 695,318 | 694,584 | - | - | - | 549,149 | 145,435 | 100,630 |
| Other | 70,339 | 54,850 | - | - | 22,650 | - | 32,200 | 188,809 |
| | 15,636,226 | 15,514,126 | 5,914,172 | 1,579,903 | 2,049,922 | 3,448,431 | 2,521,698 | 14,157,694 |
| Unrestricted portfolio | | | | | | | | |
| Federal government bonds | 362,372 | 363,909 | - | - | 363,909 | - | - | 12,560 |
| | 362,372 | 363,909 | - | - | 363,909 | - | - | 12,560 |
| Subject to repurchase agreements | | | | | | | | |
| Federal government bonds | 7,033,135 | 6,927,921 | - | 902,082 | 2,979,165 | 1,419,940 | 1,626,734 | 5,876,773 |
| Brazilian foreign debt securities | 23,550 | 23,440 | - | - | 10,924 | - | 12,516 | - |
| Foreign government bonds | | | | | | | | |
| United States | 5,346,814 | 5,316,383 | - | 294,915 | 2,766,279 | 842,179 | 1,413,010 | 3,795,158 |
| United Kingdom | 894,352 | 902,606 | - | - | 89,512 | 33,464 | 779,630 | 1,181,677 |
| Germany | 318,400 | 325,453 | - | - | - | 135,256 | 190,197 | - |
| France | 258,206 | 265,477 | - | - | - | 132,965 | 132,512 | - |
| Italy | 83,963 | 89,417 | - | - | - | 44,083 | 45,334 | 275,426 |
| Spain | 27,219 | 28,732 | - | - | - | - | 28,732 | - |
| Other | 147,907 | 145,903 | - | - | - | 26,343 | 119,560 | 218,324 |
| US Agencies | 7,323,036 | 7,318,708 | - | - | 5,668,321 | 829,591 | 820,796 | 8,078,497 |
| Debentures / Eurobonds | 1,077,592 | 1,078,031 | - | 59,271 | 366,523 | 395,636 | 256,601 | 888,799 |
| Foreign private securities | 1,068,476 | 1,028,250 | - | - | 73,729 | 101,647 | 852,874 | 740,650 |
| | 23,602,650 | 23,450,321 | - | 1,256,268 | 11,954,453 | 3,961,104 | 6,278,496 | 21,055,304 |
| Subject to guarantees | | | | | | | | |
| Federal government bonds | 2,029,999 | 1,962,659 | 6,421 | 122,839 | 755,778 | 466,156 | 611,465 | 736,204 |
| Shares | 31,104 | 35,060 | 35,060 | - | - | - | - | 86,294 |
| | 2,061,103 | 1,997,719 | 41,481 | 122,839 | 755,778 | 466,156 | 611,465 | 822,498 |

c) Held-to-maturity securities

| | 03/31/12 | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|
| | Amortized cost | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Amortized cost |
| Own portfolio | | | | | | | |
| Federal government bonds | 116,685 | - | - | - | 24,167 | 92,518 | 2,375,915 |
| | 116,685 | - | - | - | 24,167 | 92,518 | 2,375,915 |
| Subject to guarantees | | | | | | | |
| Federal government bonds | 2,445,796 | - | - | - | 350,269 | 2,095,527 | - |
| | 2,445,796 | - | - | - | 350,269 | 2,095,527 | - |

If measured at fair value, held-to-maturity securities would be reported with a positive adjustment of R$ 86,712 on March 31, 2012 (December 31, 2011 – R$ 38,503).

d) Reclassification securities

Management classifies securities according to its trading intention.

No reclassifications or changes in intention were made by Management during in the quarter.

## 9. Derivative financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedge for their own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations. The risk underlying these operations is managed by strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques.

Transactions conducted in Brazil are traded, registered or held in custody by BM&FBOVESPA and CETIP S.A. – OTC Clearing House; transactions conducted abroad are traded and registered with prime brokers.

As at March 31, 2012 and December 31, 2011, the Bank does not have derivative financial instruments classified as hedge.

a) Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in off balance accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, consider the provisions of BACEN Circular Letter 3389/08, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with term in the first business day following the date the exchange exposure is verified.

| | 03/31/12 | | | | 12/31/11 |
|---|---|---|---|---|---|
| | Up to 6 months | 6 to 12 months | Over 1 years | Total | Total |
| Futures market | | | | | |
| Long position | 92,275,913 | 31,049,892 | 8,289,107 | 131,614,912 | 151,410,113 |
| Currency | 1,751,386 | 462,901 | 1,099,506 | 3,313,793 | 4,175,540 |
| Interest rate | 88,666,900 | 29,980,821 | 6,518,591 | 125,166,312 | 146,119,068 |
| Commodities | 328,844 | 28,517 | 45,582 | 402,943 | 262,961 |
| Index | 1,428,536 | 574,075 | 619,517 | 2,622,128 | 840,022 |
| Equities | - | 3,578 | 5,911 | 9,489 | 12,522 |
| | 100,247 | - | - | 100,247 | 12,522 |
| Short position | | | | | |
| Currency | 13,417,678 | 3,545,904 | 12,072,465 | 29,036,047 | 15,556,377 |
| Interest rate | 773,226 | 880,794 | 3,079,279 | 4,733,299 | 4,781,697 |
| Equities | 11,112,793 | 2,503,228 | 8,794,130 | 22,410,151 | 7,613,219 |
| Commodities | 270,722 | 2,158 | - | 272,880 | 2,233,713 |
| Index | 146,662 | 96,589 | 43,983 | 287,234 | 246,924 |
| | 1,114,275 | 63,135 | 155,073 | 1,332,483 | 680,824 |
| Swap | | | | | |
| Long position | | | | | |
| Currency | 18,239,910 | 29,477,921 | 40,501,388 | 88,219,219 | 43,380,473 |
| Interest rate | 3,110,517 | 420,184 | 396,934 | 3,927,635 | 1,580,973 |
| Index | 14,533,206 | 28,607,309 | 35,925,036 | 79,065,551 | 33,077,864 |
| Equities | 179,512 | 43,832 | 776,743 | 1,000,087 | 6,674,627 |
| Commodities | 366,307 | 385,720 | 1,629 | 753,656 | 1,102,414 |
| Other | 3,771 | 154 | - | 3,925 | 18,817 |
| | 46,597 | 20,722 | 3,401,046 | 3,468,365 | 925,778 |
| Short position | | | | | |
| Currency | 18,239,910 | 29,477,921 | 40,501,388 | 88,219,219 | 43,380,473 |
| Interest rate | 1,239,937 | 506,227 | 969,794 | 2,715,958 | 4,434,708 |
| Index | 12,251,697 | 28,251,256 | 33,343,893 | 73,846,846 | 2,088,538 |
| Equities | 2,598,833 | 80,894 | 1,143,125 | 3,822,852 | 35,221,673 |
| Commodities | 63,020 | 3,345 | 327 | 66,692 | 181,420 |

| | | | | | |
|---|---|---|---|---|---|
| Other | 1,987 | 124 | - | 2,111 | 3,837 |
| | - | - | 3,045,552 | 3,045,552 | - |
| Credit derivatives | 2,084,436 | 636,075 | 1,998,697 | 4,719,208 | 1,450,297 |
| Long position | | | | | |
| Sovereign | | | | | |
| Corporate | 3,101 | 91,075 | 1,728,663 | 1,822,839 | 1,305,128 |
| | 3,101 | 91,075 | 420,994 | 515,170 | 1,185,894 |
| Short position | - | - | 1,307,669 | 1,307,669 | 119,234 |
| Sovereign | | | | | |
| Corporate | 683,339 | 297,514 | 2,208,222 | 3,189,075 | 3,138,689 |
| | 410,114 | - | 784,383 | 1,194,497 | 2,441,152 |
| Non-deliverable forward - NDF | 273,225 | 297,514 | 1,423,839 | 1,994,578 | 697,537 |
| Long position | | | | | |
| Currency | | | | | |
| Interest rate | 4,631,238 | 2,406,286 | 1,571,905 | 8,609,429 | 16,727,162 |
| | 1,119,468 | 626,007 | - | 1,745,475 | 4,290,638 |
| Short position | 3,511,770 | 1,780,279 | 1,571,905 | 6,863,954 | 12,436,524 |
| Currency | | | | | |
| Interest rate | 4,631,238 | 1,571,905 | 2,406,286 | 8,609,429 | 16,727,162 |
| Index | 4,213,579 | 1,571,905 | 2,125,379 | 7,910,863 | 15,639,514 |
| Equities | 417,659 | - | 280,907 | 698,566 | 797,836 |
| Other | - | - | - | - | 1,601 |
| | - | - | - | - | 227,455 |
| Deliverable forward - DF | - | - | - | - | 60,756 |
| Long position | | | | | |
| Currency | | | | | |
| | 2,072,601 | 575,575 | - | 2,648,176 | 2,054,980 |
| Short position | 1,888,484 | 575,575 | - | 2,464,059 | 2,054,980 |
| Currency | 184,117 | - | - | 184,117 | - |
| Security forwards | 2,072,601 | 575,575 | - | 2,648,176 | 2,054,980 |
| Long position | 2,072,601 | 575,575 | - | 2,648,176 | 2,054,980 |
| Interbank deposit rate (CDI) | | | | | |
| Government bonds | | | | | |
| | 2,207,548 | - | - | 2,207,548 | 1,479,074 |
| Short position | 758,282 | - | - | 758,282 | 739,537 |
| Interbank deposit rate (CDI) | 1,449,266 | - | - | 1,449,266 | 739,537 |
| Government bonds | | | | | |
| | 2,207,548 | - | - | 2,207,548 | 1,479,074 |
| Options market | 1,449,266 | - | - | 1,449,266 | 739,537 |
| Call option | 758,282 | - | - | 758,282 | 739,537 |
| Equities | | | | | |
| Commodities | | | | | |
| Index | 22,568,253 | 17,539,499 | 7,120,467 | 47,228,219 | 39,988,360 |
| Currency | 6,867,388 | 7,316,842 | 18,275 | 14,202,505 | 4,268,996 |
| Interest rate | 2,309,079 | - | - | 2,309,079 | 24,386 |
| Other | 4,536,678 | 934,948 | 426,287 | 5,897,913 | 946,381 |
| | 6,037,281 | 4,519,464 | 6,657,300 | 17,214,045 | 19,349,960 |
| Put option | 2,817,827 | 4,766,245 | 18,605 | 7,602,677 | 15,396,308 |
| Equities | - | 2,000 | - | 2,000 | 2,330 |
| Commodities | | | | | |
| Index | 18,987,500 | 10,508,726 | 6,681,723 | 36,177,949 | 39,381,862 |
| Currency | 631,673 | 59,572 | - | 691,245 | 539,837 |
| Interest rate | 181,307 | - | - | 181,307 | 66,361 |
| Other | 4,813,673 | 735,960 | 54,661 | 5,604,294 | 313,270 |
| | 7,133,264 | 4,590,295 | 6,351,000 | 18,074,559 | 18,926,304 |
| Call option | 6,227,583 | 5,122,899 | 26,062 | 11,376,544 | 18,024,844 |
| Equities | - | - | 250,000 | 250,000 | 1,511,245 |
| Commodities | | | | | |
| Index | 24,370,858 | 19,013,975 | 8,055,401 | 51,440,234 | 42,873,761 |
| Currency | 876,662 | 3,408,263 | - | 4,284,925 | 302,027 |
| Interest rate | 56,048 | 2,732 | - | 58,780 | 24,376 |
| | 15,111,505 | 1,600,587 | 185,145 | 16,897,237 | 6,187,006 |
| Put option | 5,983,159 | 9,213,987 | 7,782,296 | 22,979,442 | 25,561,644 |
| Equities | 2,343,484 | 4,788,406 | 87,960 | 7,219,850 | 10,798,707 |
| Commodities | | | | | |
| Index | 20,275,114 | 10,013,048 | 6,564,847 | 36,853,009 | 29,114,425 |
| Currency | 1,185,168 | 264,041 | 16,570 | 1,465,779 | 233,026 |
| Interest rate | 187,765 | - | - | 187,765 | 64,843 |

*b) By cost and market value*

| | 03/31/12 | | | | | 12/31/11 |
|---|---|---|---|---|---|---|
| | Cost | Market | Up to 6 months | 6 to 12 months | Over 1 year | Total |
| Futures | | | | | | |
| Long position | 26,977 | 27,303 | 22,357 | 2,732 | 2,214 | 22,517 |
| Short position | (37,960) | (41,369) | (38,252) | (949) | (2,168) | 15,900 |
| Swaps | | | | | | |
| Long position | 261,460 | 326,255 | 84,325 | 47,542 | 194,388 | 267,019 |
| Short position | (427,080) | (522,499) | (215,783) | (85,106) | (221,610) | 466,791 |
| Credit derivatives | | | | | | |
| Long position | 141,577 | 142,184 | 771 | - | 141,413 | 151,046 |
| Short position | (125,449) | (149,556) | (164) | (1,096) | (148,296) | 128,264 |
| Non-deliverable forward - NDF | | | | | | |
| Long position | 171,157 | 169,225 | 74,171 | 47,418 | 47,636 | 266,937 |
| Short position | (66,548) | (66,916) | (12,379) | (40,175) | (14,362) | 74,379 |
| Deliverable forward - DF | | | | | | |
| Long position | 905,509 | 905,509 | 899,591 | 5,918 | - | 491,985 |
| Short position | (908,027) | (908,027) | (902,737) | (5,290) | - | 491,120 |
| Forward transaction | | | | | | |
| Long position | 2,183,215 | 2,183,215 | 2,183,215 | - | - | 1,479,073 |
| Short position | (2,174,628) | (2,174,628) | (2,174,628) | - | - | 1,479,073 |
| Options market | | | | | | |
| Long position | 484,956 | 548,606 | 316,237 | 165,913 | 66,456 | 378,783 |
| Short position | (524,639) | (448,290) | (223,270) | (165,491) | (59,529) | 298,262 |

*c) By counterparty*

| | 03/31/12 | | | | |
|---|---|---|---|---|---|
| | BM&FBovespa | Financial Institutions | Companies | Individuals | Total |
| Futures market | | | | | |
| Long position | 119,362,637 | 12,252,275 | - | - | 131,614,912 |
| Short position | 10,728,237 | 18,307,810 | - | - | 29,036,047 |
| Swap | | | | | |
| Long position | 3,543,409 | 82,931,373 | 1,731,551 | 12,886 | 88,219,219 |
| Short position | 3,543,409 | 82,931,373 | 1,731,551 | 12,886 | 88,219,219 |
| Credit derivatives | | | | | |
| Long position | - | 1,822,839 | - | - | 1,822,839 |
| Short position | - | 3,189,075 | - | - | 3,189,075 |
| Non-deliverable forward - NDF | | | | | |
| Long position | - | 7,886,604 | 711,977 | 10,848 | 8,609,429 |
| Short position | - | 7,886,604 | 711,977 | 10,848 | 8,609,429 |
| Deliverable forward - DF | | | | | |
| Long position | - | 2,648,176 | - | - | 2,648,176 |
| Short position | - | 2,648,176 | - | - | 2,648,176 |
| Forward transactions | | | | | |
| Long position | - | 2,207,548 | - | - | 2,207,548 |
| Short position | - | 2,207,548 | - | - | 2,207,548 |
| Options market | | | | | |
| Long position | 22,324,201 | 42,288,983 | 18,792,984 | - | 83,406,168 |
| Short position | 23,390,711 | 46,890,931 | 16,886,601 | 1,125,000 | 88,293,243 |

*d) Credit derivatives*

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Credit swap | | |
| Transferred risk | | |
| Sovereign | 515,170 | 1,185,894 |
| Corporate | 1,307,669 | 119,234 |
| Risk received | | |
| Sovereign | (1,194,498) | (2,441,152) |
| Corporate | (1,994,577) | (697,537) |
| Total | (1,366,236) | (1,833,561) |

During the quarters, there were no credit events related to triggering facts provided for in agreements.

According to CMN Resolution 3490, the effect on the calculation of the Required Reference Shareholders' Equity (PRE) as at March 31, 2012 is R$ 76,718 (December 31, 2011 – R$ 72,129).

e) Guarantee margins

Guarantee margin in operations traded on BM&FBOVESPA with derivatives comprises federal government bonds totaling R$ 2,767,438 (December 31, 2011 – R$ 2,187,464) and shares in the amount of R$ 35,060 (December 31, 2011 – R$ 86,294).

## 10. Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99.

This classification takes into consideration, among others, a periodic analysis of operation, defaults, client history and guarantee, as applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by said Resolution.

Loans and other operations with loan characteristics are as follows:

### a) Loans

### i. By type of credit

| Type of credit | 3/31/2012 | | 12/31/2011 | |
|---|---|---|---|---|
| | Balance | Allowance | Balance | Allowance |
| Loans | 2,757,079 | (85,950) | 2,987,490 | (77,428) |
| Financing | 1,260,674 | (5,901) | 1,399,992 | (4,873) |
| FINAME/BNDES | 33,636 | (100) | 44,647 | (47) |
| Securities financing | 446,200 | - | 315,299 | - |
| Total | 4,497,589 | (91,951) | 4,747,428 | (82,348) |

### i. By risk level and maturity

| | 03/31/12 | | | | | | 12/31/11 | |
|---|---|---|---|---|---|---|---|---|
| | | Falling due | | | | | | |
| Risk level | Overdue | Up to 6 months | 6 to 12 months | Over 12 months | Total | Allowance | Total | Allowance |
| AA | - | 1,175,711 | 430,924 | 757,626 | 2,364,261 | - | 2,448,139 | - |
| A | 110 | 417,293 | 284,483 | 410,232 | 1,112,118 | (5,561) | 1,494,473 | (10,136) |
| B | 3 | 170,196 | 164,738 | 385,787 | 720,724 | (8,791) | 536,161 | (5,362) |
| C | 1,729 | 42,885 | 11,605 | 67,041 | 123,260 | (3,698) | 56,095 | (1,683) |
| D | - | 46,617 | 1,989 | - | 48,606 | (4,861) | 138,256 | (13,826) |
| E | 6,389 | 29,038 | 21,534 | 8,554 | 65,515 | (19,654) | - | - |
| F | 18,398 | - | - | - | 18,398 | (15,417) | 24,212 | (12,106) |
| G | - | 7,287 | 8,194 | 20,312 | 35,793 | (25,055) | 36,190 | (25,333) |
| H | - | - | - | 8,914 | 8,914 | (8,914) | 13,902 | (13,902) |
| Total | 26,629 | 1,889,027 | 923,467 | 1,658,466 | 4,497,589 | (91,951) | 4,747,428 | (82,348) |

### iii. By activity sector

| Sector | 03/31/12 | 12/31/11 |
|---|---|---|
| Commerce | 79,884 | 31,908 |
| Industry | 698,265 | 872,011 |
| Services | 3,002,924 | 3,174,487 |
| Rural | 448,321 | 313,494 |
| Individuals | 268,195 | 355,528 |
| Total | 4,497,589 | 4,747,428 |

**b) Other receivables – with loan characteristics**

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions, as follows:

**i. By risk level and maturity**

| | 03/31/2012 | | | | | | 12/31/2011 | |
|---|---|---|---|---|---|---|---|---|
| | | Falling due | | | | | | |
| Risk level | Overdue | Up to 6 months | 6 to 12 months | Over 12 months | Total | Allowance | Total | Allowance |
| AA | - | 325,275 | 186,595 | 272,478 | 784,348 | - | 635,547 | - |
| A | - | 47,506 | 7,234 | 33,148 | 87,888 | (439) | - | - |
| B | - | 3,511 | 2,085 | 9,178 | 14,774 | (148) | 26,061 | (261) |
| C | 180 | 9,796 | - | - | 9,976 | (299) | 175 | (5) |
| Total | 180 | 386,088 | 195,914 | 314,804 | 896,986 | (886) | 661,783 | (266) |

### ii. By activity sector

| Sector | 03/31/12 | 12/31/11 |
|---|---|---|
| Industry | 41,756 | 42,641 |
| Services | 855,230 | 619,142 |
| Total | 896,986 | 661,783 |

## c) Advances in foreign exchange contracts

### i. By risk level and maturity

| | 03/31/12 | | | | | | 12/31/11 | |
|---|---|---|---|---|---|---|---|---|
| | | Falling due | | | | | | |
| Risk level | Overdue | Up to 6 months | 6 to 12 months | Over 12 months | Total | Allowance | Total | Allowance |
| AA | - | 98,850 | - | - | 98,850 | - | 97,578 | - |
| A | - | 189,406 | 63,779 | - | 253,185 | (1,266) | 276,881 | (1,384) |
| B | 15,667 | 167,650 | 21,270 | - | 204,587 | (2,046) | 190,037 | (1,900) |
| C | - | 20,873 | - | - | 20,873 | (626) | - | - |
| Total | 15,667 | 476,779 | 85,049 | - | 577,495 | (3,938) | 564,496 | (3,284) |

### ii. By activity sector

| Sector | 03/31/12 | 12/31/11 |
|---|---|---|
| Commerce | - | 5,885 |
| Industry | 8,611 | 32,954 |
| Services | 568,884 | 525,657 |
| Total | 577,495 | 564,496 |

### d) Credit concentration

| | 03/31/2012 | % | 12/31/11 | % |
|---|---|---|---|---|
| Largest debtors | | | | |
| 10 largest debtors | 2,629,516 | 44% | 2,541,989 | 43% |
| 20 largest debtors | 1,845,074 | 31% | 1,829,425 | 31% |
| 50 following largest debtors | 1,319,046 | 22% | 1,187,123 | 20% |
| 100 following largest debtors | 178,434 | 3% | 415,170 | 7% |
| | 5,972,070 | 100% | 5,973,707 | 100% |

### e) Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the quarters were as follows:

| | 03/31/12 | 03/31/11 |
|---|---|---|
| Opening balances | (85,898) | (81,580) |
| Balance from the incorporation of overseas branch | (16,169) | (9,331) |
| Reversal/(recording) of allowance | 265 | - |
| Exchange rate variation | 5,027 | 12,327 |
| Credits written off as loss | | |
| | (96,775) | (78,584) |
| Closing balances | | |
| Breakdown of closing balances | (91,951) | (78,205) |
| Allowance for loan losses | (886) | (296) |
| Allowance for other receivables | (3,938) | (83) |
| Allowance for advances on foreign exchange contracts | | |
| | (96,775) | (78,584) |
| | (85,898) | (81,580) |

Changes in the allowance for other receivables with loan characteristics in the years were as follows:

| | Receivables without loan characteristics | |
|---|---|---|
| | 03/31/12 | 03/31/11 |
| Opening balances | (659,581) | (30,252) |
| Reversal/(recording) of allowance | (59,793) | (228) |
| Exchange rate variation | 100 | - |
| Closing balances | (719,274) | (30,480) |
| Breakdown of closing balances | | |
| Allowance for other receivables | (719,274) | (30,480) |
| | (719,274) | (30,480) |

(i) Refers to the balances of companies incorporated beginning 2011.

Allowances for other receivables with loan characteristics refer to the acquisition of credit rights, as demonstrated in item (b) of this note and allowances for other receivables without loan assignment characteristics basically refer to provision for stand-by letters and guarantees granted (note 23).

### f) Renegotiation/recovery of credits written off as loss

There where no renegotiations of credit loans during the quarter ended March 31, 2012 (R$50,184 on March 31, 2011). No credit written off as loss was recovered in the quarter ended March 31, 2012 (R$5,644 on March 31, 2011).

### g) Loan assignment

No loan assignments were conducted in the quarters ended March 31, 2012 and 2011.

## 11. Other receivables/obligations

### a) Foreign exchange portfolio

| | 03/31/12 | | 12/31/11 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Unsettled Exchange purchased/sold | 1,264,748 | 632,768 | 753,727 | 101,311 |
| Rights on foreign exchange sales | 635,362 | - | 101,485 | - |
| (-) Advances on foreign Exchange contracts (i) | 25,470 | (552,025) | 19,037 | (545,459) |
| (-) Advances on foreign currency received | (178) | - | (94,335) | - |
| (-) Advances in local currency received | (21) | - | (3,739) | - |
| Liability for foreign exchange purchase | - | 1,200,571 | - | 668,529 |
| | 1,925,381 | 1,281,314 | 776,175 | 224,381 |
| Current | 1,925,381 | 1,281,314 | 145,565 | 224,381 |
| Long-term | - | - | 630,610 | - |

(i) See note 10(c).

Guarantees for foreign exchange transactions carried out through BM&FBOVESPA S.A. – Securities, Commodities and Futures Exchange (BM&FBOVESPA), are represented by federal government bonds in the amount of R$512,331 (December 31, 2011 - R$25,475).

### b) Securities trading and brokerage

| | 03/31/2012 | | 12/31/2011 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Clearing houses | 35,571 | 95,254 | 30,809 | 99,295 |
| Commissions and brokerage payable | - | 60 | - | 154 |
| Debtors/creditors – pending settlement account | 6,169,368 | 5,442,370 | 4,372,440 | 3,727,062 |
| Creditors for gold loans | - | 182,148 | - | 1,613,269 |
| Creditors for stock loans | - | 1,535,878 | - | - |
| Securities trading and brokerage | 121 | 2,660,889 | 513 | 2,490,254 |
| | 6,205,060 | 9,916,599 | 4,403,762 | 7,930,034 |
| Current | 6,204,315 | 9,916,599 | 4,402,981 | 7,921,906 |
| Long-term | 745 | - | 781 | 8,128 |

The item "Debtors/creditors – pending settlement account" is basically represented by amounts pending settlement within the terms established in regulation, relating to transactions involving the purchase and sale of securities and financial asset agreements at BM&FBOVESPA, and abroad through prime stockbrokers, on the Bank's behalf or on behalf of third parties.

The item "Securities trading and brokerage" basically represents, in assets, swap intermediation transactions, and in liabilities, it refers basically to the sale of shares, to be settled within the terms established in the regulation.

## 12. Other receivables

### a) Income receivable

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Dividends and bonuses | 10,653 | 12,083 |
| Receivables from services rendered | 230,276 | 208,608 |
| Management and performance fees for investment funds and portfolio | 153,836 | 145,974 |
| Distribution fees | 7,942 | 12,753 |
| Commissions on guarantees | 1,547 | 2,450 |
| Other | 15,898 | 9,614 |
| | 420,152 | 391,482 |
| Current | 419,915 | 356,677 |
| Long-term | 237 | 34,805 |

### b) Sundry

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Deferred tax assets | 1,189,672 | 1,311,176 |
| Judicial deposits | 571,991 | 530,668 |
| Taxes to offset | 215,255 | 220,499 |
| Tax incentive options | 1,316 | 1,317 |
| Securities and credits receivable | | |
| With loan characteristics (i) | 896,986 | 661,783 |
| Without loan characteristics (ii) | 2,937,148 | 3,090,260 |
| Sundry - Brazil | 328,336 | 1,312,799 |
| Other | 3,549 | 8,704 |
| | 6,144,253 | 7,137,206 |
| Current | 4,639,663 | 5,240,085 |
| Long-term | 1,504,590 | 1,897,121 |

(i) See note 10 (b).
(ii) Refer to the acquisition of payroll loan and vehicle financing portfolios through credit rights investment funds (FIDC), which were recognized in this item, taking into consideration that: (i) the acquisition of the portfolio did not consider the individual granting criteria of each agreement, and (ii) control is executed on an overall basis, not individually by transaction.

## 13. Investments in associates and jointly controlled entities

| | Joint control | | | |
|---|---|---|---|---|
| | Shareholders' equity | | Net income (loss) (i) | |
| | 03/31/12 | 12/31/11 | 03/31/12 | 03/31/11 |
| In Brazil | | | | |
| Banco Panamericano S.A. (iii) | 2,202,535 | 1,398,350 | 2,893 | - |
| Warehouse 1 Empreendimentos Imobs S.A. | 40,089 | 40,089 | - | - |
| Max Casa XIX Empreendimentos Imobs S.A. | 16,314 | 14,358 | 1,968 | - |
| ACS Omicron Empreendimentos Imobs S.A. | 17,145 | 18,414 | 3,377 | - |
| BR Properties S.A. (ii) (iv) | 3,692,733 | - | 1,478,025 | - |
| One Properties S.A. | - | 658,287 | - | - |
| Vivere Soluções e Serviços S.A. | 13,879 | 29,997 | (2,183) | - |

| | Joint control | | | | | |
|---|---|---|---|---|---|---|
| | Interest | | Investment | | Equity in subsidiaries | |
| | 03/31/12 | 12/31/11 | 03/31/12 | 12/31/11 | 03/31/12 | 03/31/11 |
| In Brazil | | | | | | |
| Banco Panamericano S.A.(iii) | 37.64% | 37.64% | 958,725 | 461,953 | 1,295 | - |
| Negative goodwill - Banco Panamericano. | | | (39,024) | (39,024) | - | - |
| Warehouse 1 Empreendimentos Imobs S.A. | 35.00% | 35.00% | 10,601 | 14,031 | 7,070 | - |
| Goodwill - Warehouse 1 Empreendimentos Imobs S.A. | | | 14,136 | 14,136 | - | - |
| Max Casa XIX Empreendimentos Imobs S.A. | 50.00% | 50.00% | 7,298 | 7,179 | 120 | - |
| ACS Omicron Empreendimentos Imobs S.A. | 44.74% | 44.74% | 9,182 | 8,239 | 943 | - |
| Goodwill - ACS Omicron Empreendimentos Imobs S.A. | | | 6 | 6 | - | - |
| BR Properties S.A. (ii) | 28.30% | 0.00% | 1,450,731 | - | - | |
| One Properties S.A. (ii) | 0.00% | 49.90% | - | 329,078 | 15,794 | - |
| Negative goodwill - One Properties S.A. | | | - | 320,956 | - | - |
| Vivere Soluções e Serviços S.A. | 30.00% | 30.00% | 4,164 | 8,738 | (4,573) | - |
| | | | 2,415,819 | 1,125,292 | 20,649 | - |

(i) Acquired after the first quarter of 2011
(ii) See corporate restructuring described in Note 2.
(iii) Jointly control subsiadiary
(iv) Balances presented refer to 31 December 2011because the numbers have not been publicly disclosed by the company.

### a) Banco Panamericano S.A

On January 31, 2012 the Bank contributed to capital increase into Panamericano S.A., in the amount of R$495,476, without impact on its equity interest and such transaction is pending approval from BACEN.

The capital increase mentioned above was realized through the conversion of advance for capital increase into capital, previously held in December, 2012.

The subscription right of non-controlling partners was exercised up to May 9, 2012, and the Bank will calculate its new percentage of interest in Panamericano based on the total amount subscribed.

## 14. Fund raising and loans and onlending

### a) Summary

| | 03/31/12 | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Deposits | 15,132,186 | 5,561,108 | 6,737,517 | 1,649,986 | 319,811 | 863,764 | 14,211,060 |
| Open market funding | 47,255,448 | 44,439,659 | 2,815,741 | 48 | - | - | 39,060,989 |
| Funds from securities issued and accepted | 4,302,881 | 540,347 | 1,118,861 | 836,853 | 1,031,170 | 775,650 | 3,774,631 |
| Loans and onlending | 1,450,700 | 1,058,129 | 383,313 | 8,545 | 713 | - | 919,716 |
| Subordinated debts | 4,230,910 | - | - | - | 423,091 | 3,807,819 | 4,158,295 |
| | 72,372,125 | 51,599,243 | 11,055,432 | 2,495,432 | 1,774,785 | 5,447,233 | 62,124,691 |

### b) Deposits

| | 03/31/12 | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Demand deposits | 1,593,531 | 1,593,531 | - | - | - | - | 1,574,208 |
| Interbank deposits | 938,522 | 336,555 | 585,835 | 11,238 | 4,894 | - | 576,405 |
| Time deposits | 12,600,133 | 3,631,022 | 6,151,682 | 1,638,748 | 314,917 | 863,764 | 12,060,447 |
| | 15,132,186 | 5,561,108 | 6,737,517 | 1,649,986 | 319,811 | 863,764 | 14,211,060 |

## c) Open market funding

Open market funding is underlined on the following securities:

| | 03/31/12 | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Own portfolio | 25,360,325 | 24,892,529 | 467,796 | - | - | - | 22,838,450 |
| Federal government bonds | 7,045,858 | 7,033,996 | 11,862 | - | - | - | 5,885,970 |
| Corporate securities | 955,212 | 499,278 | 455,934 | - | - | - | 791,631 |
| Securities issued abroad | 8,801,246 | 8,801,246 | - | - | - | - | 16,160,849 |
| Securities issued abroad | 8,558,009 | 8,558,009 | - | - | - | - | - |
| Third-party portfolio | 19,355,197 | 19,355,197 | - | - | - | - | 13,692,426 |
| Federal government bonds | 19,296,324 | 19,296,324 | - | - | - | - | 11,572,280 |
| Corporate bonds | 54,180 | 54,180 | - | - | - | - | 3,017 |
| Securities issued abroad | - | - | - | - | - | - | 2,112,293 |
| Foreign government bonds | 4,693 | 4,693 | - | - | - | - | 4,836 |
| Unrestricted portfolio | 2,539,926 | 191,933 | 2,347,945 | 48 | - | - | 2,530,113 |
| Federal government bonds | 2,539,926 | 191,933 | 2,347,945 | 48 | - | - | 2,239,367 |
| Corporate bonds | - | - | - | - | - | - | 290,746 |
| Securities issued abroad | | | | | | | |
| Foreign government bonds | | | | | | | |
| | 47,255,448 | 44,439,659 | 2,815,741 | 48 | - | - | 39,060,989 |
| | 25,360,325 | 24,892,529 | 467,796 | - | - | - | 22,838,450 |
| | 7,045,858 | 7,033,996 | 11,862 | - | - | - | 5,885,970 |

As at March 31, 2012 and December 31, 2011, the balances above are reported net of liabilities and correspond to R$8,427,446 and R$6,681,113, according to Note 4(f).

## d) Funds from securities issued and accepted

| | 03/31/12 | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Securities – Brazil | 3,174,687 | 538,338 | 906,240 | 836,853 | 117,606 | 775,650 | 2,624,992 |
| Financial bills | 1,453,075 | - | - | 568,400 | 109,025 | 775,650 | - |
| Mortgage bonds/letters of credit for agribusiness | 1,721,612 | 538,338 | 906,240 | 268,453 | 8,581 | - | 2,624,992 |
| Securities – abroad | 1,128,194 | 2,009 | 212,621 | - | 913,564 | - | 1,149,639 |
| Medium term notes | 1,101,274 | - | 188,558 | - | 912,716 | - | 1,143,040 |
| Credit linked notes | 26,920 | 2,009 | 24,063 | - | 848 | - | 6,599 |
| | 4,302,881 | 540,347 | 1,118,861 | 836,853 | 1,031,170 | 775,650 | 3,774,631 |

Securities issued abroad have rates from 3.30% per year to 5.11% per year.

## e) Loans and onlending

| | 03/31/12 | | | | | | 12/31/11 |
|---|---|---|---|---|---|---|---|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Loans abroad | 1,417,113 | 1,040,352 | 376,761 | - | - | - | 875,094 |
| Foreign currency | 435,330 | 400,301 | 35,029 | - | - | - | 541,493 |
| Loans abroad | 981,783 | 640,051 | 341,732 | - | - | - | 333,601 |
| Onlending in Brazil – official institution | 33,587 | 17,777 | 6,552 | 8,545 | 713 | - | 44,622 |
| FINAME | 33,587 | 17,777 | 6,552 | 8,545 | 713 | - | 44,622 |
| | 1,450,700 | 1,058,129 | 383,313 | 8,545 | 713 | - | 919,716 |

## f) Subordinated debt

As at March 31, 2012, the outstanding balance of this item of R$4,230,910 (December 31, 2011 – R$4,158,295) as represented by financial bills issued on April 15, 2011, with repayment every six months and maturity beginning October 2016 and ending April 15, 2021, indexed to inflation rates plus fixed income rates.

## 15. Other obligations

### a) Social and statutory

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Dividends and profit sharing payable | 391 | 176 |
| Employees' profit sharing | 235,561 | 449,842 |
| Bonus payable | 187,260 | 103,188 |
| | 423,212 | 553,206 |
| Current | 392,899 | 552,761 |
| Long-term | 30,313 | 445 |

### b) Tax and social security

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Tax and contributions to be collected | 58,299 | 116,081 |
| Tax and contribution payable | 125,194 | 83,718 |
| Deferred social contribution and income tax | 37,976 | 48,720 |
| Suspended-payment taxes | 550,546 | 511,421 |
| | 772,015 | 759,940 |
| Current | 695,568 | 238,783 |
| Long-term | 76,447 | 521,157 |

### c) Sundry

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Payable for acquisition of assets and rights | 580,233 | 569,694 |
| Allowance for accounts payable | 216,358 | - |
| Other creditors - country | 55,841 | 201,371 |
| Provision for contingent liabilities | 24,664 | 27,719 |
| Consolidated fund holders | 167 | 163 |
| Other | 55,957 | 80,766 |
| | 933,220 | 879,713 |
| Current | 334,898 | 279,206 |
| Long-term | 598,322 | 600,507 |

## 16. Contingent assets and liabilities and legal obligations - tax and social security

The Bank's and its subsidiaries' Management evaluates existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings, whenever necessary. Management's judgment is based on the opinion of its external legal counsel regarding the expected outcome for each proceeding.

### a) Contingent assets

As at March 31, 2012 and December 31, 2011, the Bank does not record contingent assets.

### b) Contingent liabilities classified as probable losses and legal obligations

#### Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are accrued based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

#### Civil provisions

For civil lawsuits with chances of unfavorable outcome (pain and suffering and pecuniary injury, among others requesting sentences to condemn), contingency amounts are accrued based on the opinion of internal and external legal counsel.

#### Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counsel and the court level to which each proceeding was submitted.

### c) Breakdown and changes in provisions in the period

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recognized for such proceedings at March 31, 2012 are appropriate to cover any losses arising therefrom.

The provisions recognized and their changes in the period are as follows:

| | 2012 | 2011 |
|---|---|---|
| Balance at the beginning of the quarter | 539,140 | 446,014 |
| Recognition | 41,286 | 22,094 |
| Write-off | (5,216) | - |
| Balance at the end of the quarter | 575,210 | 468,108 |
| | | |
| Suspended-payment taxes (note 15-B) | 550,546 | 439,737 |
| Provision for contingent liabilities (note 15-C) | 24,664 | 28,371 |

The nature of the main provisions is presented below.

a) Suspended-payment taxes (Note 15 b)

The Bank's and its subsidiaries has been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed as possible loss by the internal counsel are fully recorded in provision. The main legal disputes are the following:

COFINS - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

PIS - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSL - Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

b) Provision for contingent liabilities (Note 15 c)

Refer to civil, labor and other contingencies.

As at December 31, 2011, Banco BTG Pactual and its subsidiaries were parties to lawsuits with a possible outcome, which were not recorded in provision. The description of the main lawsuits is as follows.

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R$241 million.
- Lawsuits relating to the demutualization and IPO of Bovespa and BM&F, challenging the taxation of PIS, Cofins, income tax and social contribution on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R$83 million.
- The challenge of Central Bank of Brazil and day-trade derivatives transactions, from 2002 to 2004. The amount claimed is US$189 million.

- Administrative proceedings challenging the tax assessment by the São Paulo Local Government, charging ISS on services provided in Rio de Janeiro, as the tax authority from the city of São Paulo understands that such services were effectively rendered in São Paulo. The amount claimed is R$80 million.

## 17. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

| Income tax and social contribution | 03/31/12 | 03/31/11 |
|---|---|---|
| Tax base | 732,523 | 362,986 |
| Income before taxes and profit sharing | 1,051,935 | 471,559 |
| Statutory profit sharing | (319,412) | (108,573) |
| Total charge of income tax and social contribution at the rates of 25% and 15%, respectively | (293,009) | (145,194) |
| Permanent (additions) / deductions in taxation calculation | (7,454) | (7,899) |
| Equity in the earnings of subsidiaries and associated companies in Brazil | 8,259 | - |
| Income/(loss) of foreign exchange on foreign investments | (13,605) | (7,609) |
| Foreign earnings | (286) | - |
| Dividends | 215 | 194 |
| Other Permanente (additions) / deductions | (2,037) | (484) |
| Temporary (additions) / deductions on the taxation calculation | 65,358 | 31,247 |
| Reversal of provision for goodwill on the acquisition of investments | 60,604 | 92,664 |
| Marked-to-market evaluation of securities and derivatives | (2,947) | (2,484) |
| Allowance for loan losses | (8,672) | (2,713) |
| Tax contingencies and provision for suspended-payment taxes | (11,906) | (6,441) |
| Losses on branch abroad | 81,352 | - |
| Other provisions | (53,073) | (49,779) |
| (Recognition) / offset of tax loss carryforwards | (56,040) | (24,378) |
| Income tax and social contribution expense | (179,065) | (97,468) |
| Temporary differences | | |
| Recognition / (reversal) of the quarter | 2,057 | (32,851) |
| Recognition / (reversal) on losses in Brazil | (56,040) | (24,378) |
| Recognition of loss on investment abroad | (75,242) | - |
| (Expenses) / revenues from deferred taxes | (129,225) | (57,229) |
| Total revenues / (expenses) | (308,290) | (154,697) |

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3059/02, taking into account the period of realization.

Changes in deferred tax assets, in item "Other credits – Sundry" (Note 12(b)), are as follows:

| Income tax and social contribution | 12/31/11 | Recognition | Realization | 03/31/12 |
|---|---|---|---|---|
| Tax loss carryforwards | 351,772 | 6,110 | (137,392) | 220,490 |
| Allowance for loan losses | 76,033 | 41,935 | (33,263) | 84,705 |
| Marked-to-market evaluation of securities and derivatives | 3,576 | 260,885 | (257,939) | 6,522 |
| Goodwill on the acquisition of investment | 620,412 | - | (60,604) | 559,808 |
| Tax contingencies and provision for suspended-payment taxes | 129,049 | 11,906 | - | 140,955 |
| Other temporary differences | 130,334 | 101,399 | (54,541) | 177,192 |
| | 1,311,176 | 422,235 | (543,739) | 1,189,672 |

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

| Description | Tax credits on temporary differences | Tax loss carryforwards | Total |
|---|---|---|---|
| 2012 | 148,966 | 127,235 | 276,201 |
| 2013 | 316,302 | 93,255 | 409,557 |
| 2014 | 175,347 | - | 175,347 |
| 2015 | 162,286 | - | 162,286 |
| 2016 onwards | 166,281 | - | 166,281 |
| | 969,182 | 220,490 | 1,189,672 |
| **Present value** | **751,434** | **198,867** | **950,301** |

## 18. Shareholders' equity

a) Capital

As at March 31, 2012 and 2011, fully subscribed and paid-in capital consists of 2,400,000,000 shares, of which 1,200,160,000 common shares, 298,445,596 class A preferred shares and 901,394,404 class B preferred shares, all no-par, registered shares.

The Special Shareholders' Meeting held on March 31, 2012 approved the capital increase of R$271,150. This decision still awaits approval from BACEN.

b) Legal reserve

This reserve is established at the rate of 5% of net income for the year, before any other allocation, limited to 20% of the capital.

c) Statutory reserve

In accordance with the Bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of the capital.

d) Unrealized income reserve

Established considering undistributed dividends obtained in foreign subsidiaries.

e) Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income for the year adjusted in accordance with Article 202 of Law 6404/76.

The Extraordinary Shareholders' Meeting held on March 17, 2011 approved dividends in the amount of R$210,000.

f) Reconciliation of net income (loss) and shareholders' equity

| | Shareholders' equity | | Net income (loss) | |
|---|---|---|---|---|
| | 03/31/12 | 12/31/11 | 03/31/12 | 03/31/11 |
| **Banco Pactual S.A.** | 6,744,797 | 6,343,965 | 400,832 | 208,289 |
| Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Panamericano S.A.(*) | 18,443 | (4,203) | 22,647 | - |
| **Banco Pactual S.A. - Consolidated** | 6,763,240 | 6,339,762 | 423,479 | 208,289 |

(*) The consolidated information reported by Banco Panamericano S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from loan assignment transactions from Panamericano to FIDCs are eliminating, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Panamericano through the equity method of accounting.

## 19. Income from services rendered

| | 03/31/12 | 03/31/11 |
|---|---|---|
| Management fee and performance premium from investment funds and portfolios | 204,393 | 93,745 |
| Brokerage | 39,793 | 22,966 |
| Technical services | 49,710 | 84,443 |
| Commission on the placement of securities | 25,857 | 11,159 |
| Guarantees | 18,949 | 10,717 |
| Other services | 7,310 | - |
| | 346,012 | 223,030 |

## 20. Other operating income

| | 03/31/12 | 03/31/11 |
|---|---|---|
| Recovery of charges and expenses | 1,773 | - |
| Reversal of provision – employees' profit sharing | 70 | 82 |
| Reversal of allowances - other | 6,213 | 713 |
| Income (loss) from the sale of electricity | 77,457 | 35,450 |
| Reversal of provision - contingencies | 4,024 | - |
| Adjustment to inflation of court deposits | 12,160 | 3,266 |
| Adjustment to inflation of deposits – other | 9,721 | 5,465 |
| Other operating income | 987 | 8,204 |
| | 112,405 | 53,180 |

## 21. Other operating expenses

| | 03/31/12 | 03/31/11 |
|---|---|---|
| Other operating provisions | 9,180 | - |
| Expenses with taxes adjusted for inflation | 1,234 | 2,907 |
| Exchange rate variation | 5,885 | - |
| Adjustment of amounts payable for acquisition of goods and rights | 12,188 | - |
| Other | 32,578 | 5,644 |
| | 61,065 | 8,551 |

## 22. Other administrative expenses

| | 03/31/12 | 03/31/11 |
|---|---|---|
| Outsourced services and consulting | 39,920 | 20,368 |
| Telecommunications and data proc | 22,266 | 18,473 |
| Leases and condominiums | 9,518 | 5,466 |
| Travel and Lodging | 7,706 | 3,950 |
| Expenses of the financial system | 6,024 | 7,182 |
| Advertising and Public Relations | 3,317 | 560 |
| Other | 14,793 | 8,529 |
| | 103,544 | 64,528 |

## 23. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank.

Related-party balances, carried at arm's length, are reflected in the following accounts:

| | | 03/31/12 | | 12/31/2011 | 03/31/2011 |
|---|---|---|---|---|---|
| | Relationship | Assets (Liabilities) | Revenues (Expenses) | Assets (Liabilities) | Revenues (Expenses) |
| **Assets** | | | | | |
| **Short-term interbank investments** | | | | | |
| **Open market investments** | | | | | |
| - Banco Panamericano S.A. | Jointly-owned subsidiary | 998 | - | - | - |
| **Interbank deposits** | | | | | |
| - Banco Panamericano S.A. | Jointly-owned subsidiary | 1,005,820 | 5,820 | 500,504 | - |
| **Securities and derivative financial instruments** | | | | | |
| **Derivative financial instruments** | | | | | |
| - BTG Investments LP | Associated | - | (76,577) | 81,334 | - |
| **Other receivables** | | | | | |
| **Income receivable** | | | | | |
| - BTG Global Asset Management Limited | Subsidiary | 25,549 | 27,973 | - | 5,997 |
| **Sundry** | | | | | |
| - Max Casa XIX Empreendimentos Imobiliários S.A. | Associated | 4,936 | - | 4,936 | - |
| - ACS Omicron Empreendimentos Imobiliários S.A | Associated | 12 | - | 12 | - |
| - Warehouse 1 Empreendimentos Imobiliários S.A. | Associated | 432 | - | 432 | - |
| - Saíra Diamante Empreendimentos Imobiliários S.A. | Associated | | | | |

| | Relationship | 03/31/12 Assets (Liabilities) | 03/31/12 Revenues (Expenses) | 12/31/2011 Assets (Liabilities) | 03/31/2011 Revenues (Expenses) |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| **Deposits** | | | | | |
| **Demand deposits** | | (13) | - | (16) | - |
| - BTG Pactual Stigma Participações S.A. | Associated | (240) | - | (249) | - |
| - BTG Pactual Proprietary Feeder (1) Limited | Associated | (4,356) | - | (2,120) | - |
| - BTG Investments LP | Associated | (881) | - | (939) | - |
| - BTG Pactual Reinsurance Holdings LP | Associated | (58,214) | - | (9,425) | - |
| - BTG MB Investments LP | Associated | (7) | - | (10) | - |
| - BTG Pactual Beta Participações S.A. | Associated | (9) | - | (11) | - |
| - BTG Pactual Pharma Participações S.A. | Associated | (45,377) | - | (194) | - |
| - BTG Equity Investments LLC | Associated | (129) | - | (140) | - |
| - BTG Pactual Stigma LLC | Associated | (11) | - | (70) | - |
| - BTG Alpha Participações Ltda. | Associated | (991) | - | (1,029) | - |
| - BTG Alpha Investments LLC | Associated | (3) | - | - | - |
| - FIM CP LS Investimento no Exterior | Associated | (72) | - | - | - |
| - Harpia Omega Participações | Associated | (1,048) | - | (449) | - |
| **Time deposits** | | | | | |
| - BTG Pactual Stigma Participações S.A. | Associated | (212) | - | (110) | - |
| - BTG Pactual Alpha Participações Ltda. | Associated | (298) | - | (258) | (24) |
| - BTG Pactual Beta Participações S.A. | Associated | (1,352) | - | (1,459) | - |
| - BTG Pactual Pharma Participações S.A. | Associated | (204) | - | (1,702) | - |
| **Open market funding** | | | | | |
| **Own portfolio** | | | | | |
| - Banco Panamericano S.A. | Jointly-owned subsidiary | (680,022) | (14,561) | (629,374) | - |
| **Third-party portfolio** | | | | | |
| - Banco Panamericano S.A. | Jointly-owned subsidiary | - | - | (9,999) | - |
| **Unrestricted portfolio** | | | | | |
| - Banco Panamericano S.A. | Jointly-owned subsidiary | (355,455) | (7,280) | - | - |
| **Other obligations** | | | | | |
| **Securities trading and brokerage** | | | | | |
| - BTG Investments LP | Associated | (152,853) | 2,396 | (69,420) | - |

Total compensation paid in the quarter to key management personnel totaling R$ 21,769 (March 31, 2011 – R$ 5,135) is considered a short-term benefit.

## 23. Other information

### a) Cash and cash equivalents

| | 12/31/11 | 12/31/10 |
|---|---|---|
| **Balances at the beginning of the quarter** | | |
| Cash and cash equivalents | 517,305 | 1,522,813 |
| Open market investments | 11,424,916 | 17,398,454 |
| Interbank deposits | 545,196 | 4,103 |
| | 12,487,417 | 18,925,370 |

| | 03/31/12 | 31/3/11 |
|---|---|---|
| **Balances at the end of the quarter** | | |
| Cash and cash equivalents | 116,069 | 132,649 |
| Open market investments | 15,905,490 | 13,449,056 |
| Interbank deposits | 1,589,430 | 61,357 |
| | 17,610,989 | 13,643,062 |

### b) Commitments and responsibilities

The Bank's and its subsidiaries' main commitments and responsibilities are as follows:

| | 03/31/12 | 12/31/11 |
|---|---|---|
| Co-obligation and risks for guarantees granted | 5,284,044 | 5,278,935 |
| Responsibility for the management of futures and investment portfolio (i) | 35,495,735 | 34,477,778 |
| Securities under custody | 201,214,702 | 142,531,821 |
| Securities trading and brokerage | 686,795,730 | 857,584,457 |

(i) Recognized by the sum of the equity value of funds and investment portfolios.

The item "Co-obligations and risks for guarantees granted" mainly comprises guarantees granted or allocated to exchange trading securities.

The item "Securities under custody" reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

The item "Securities trading and brokerage" represents amounts from derivatives purchase and sale agreements related to third-party transactions.

## 24. Subsequent events

On April 30, 2012 the BTG Pactual Group concluded its Initial Public Offering (IPO). In the transaction, the BTG Pactual Group issued a total of 82.8 million units for the price of R$31.25 per unit, representing aggregate gross proceeds of approximately R$2.6 billion. Of this total, approximately R$2.1 billion was transferred to the Company throughout an issuance of 248.400 stocks.

The total number of units offered in the IPO, including sales of previously outstanding units, was 103.5 million. As of this date, we remain in the stabilization period of the offering, and up to 10.8 million primary and 2.7 million secondary units may still be sold as part of the stabilization efforts.